

present, not voting; passed the Senate, with amendments, on April 20, 1989: Yeas 28, Nays 0.

Approved May 9, 1989.

Effective May 9, 1989.

CHAPTER 69

H.B. No. 1035

AN ACT

relating to standards and procedures for review of audits of water districts.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Section 50.375, Water Code, is amended to read as follows:

Sec. 50.375. REVIEW BY EXECUTIVE DIRECTOR. (a) The executive director shall review the audit report of each district.

(b) *The commission may request that the state auditor assist in the establishment of standards and procedures for review of district audits by the executive director.*

(c) *If [and if] the executive director has any objections or determines any violations of generally accepted auditing standards or accounting principles, statutes, or board rules, or if the executive director has any recommendations, he shall notify the governing board of the district.*

(d) [(b)] Before the audit report may be accepted by the executive director as being in compliance with the provisions of this subchapter, the governing board and the auditor shall remedy objections and correct violations of which they have been notified by the executive director.

(e) [(c)] If the audit report indicates that any penal law has been violated, the executive director shall notify the appropriate county or district attorney and the attorney general.

SECTION 2. Section 50.381, Water Code, is amended to read as follows:

Sec. 50.381. POLICIES AND AUDITS OF DISTRICTS. (a) Subject to the law governing the district, the governing board of each district shall adopt the following in writing:

(1) a code of ethics for district directors, officers, employees, and persons who are engaged in handling investments for the district;

(2) a policy relating to travel expenditures;

(3) a policy relating to district investments that ensures that:

(A) purchases and sales of investments are initiated by authorized individuals, conform to investment objectives and regulations, and are properly documented and approved; and

(B) periodic review is made of district investments to evaluate investment performance and security;

(4) policies and procedures for selection, monitoring, or review and evaluation of professional services;

(5) a uniform method of accounting and reporting for industrial development bonds and pollution control bonds that complies with requirements of the *commission* [state auditor]; and

(6) policies that ensure a better use of management information including:

(A) budgets for use in planning and controlling cost;

(B) a functioning audit committee of the governing board; and

(C) uniform reporting requirements that use "Audits of State and Local Governmental Units" as a guide on audit working papers and that uses "Governmental Accounting and Financial Reporting Standards."

~~(b) [In addition to other requirements of this subchapter, each district shall file with the state auditor its annual audit for review and comment. Any comments of the state auditor relating to a district's audit shall be filed with the Legislative Audit Committee and the governing board of the district. If a river authority elects to have the state auditor audit the authority under Sections 50.371(d) and (e) of this code, the authority is not required to comply with this subsection.~~

~~(e)]~~ The state auditor may audit the financial transactions of any district if the state auditor determines that the audit is necessary.

SECTION 3. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed the House on April 6, 1989: Yeas 139, Nays 0; and that the House concurred in Senate amendments to H.B. No. 1035 on May 1, 1989: Yeas 142, Nays 1, 1 present, not voting; passed the Senate, with amendments, on April 27, 1989: Yeas 31, Nays 0.

Approved May 9, 1989.

Effective May 9, 1989.

CHAPTER 70

H.B. No. 1168

AN ACT

relating to the Teague Hospital District.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Section 4.05(a), Chapter 1055, Acts of the 68th Legislature, Regular Session, 1983, is amended to read as follows:

(a) A person who wishes to have his name printed on the ballot as a candidate for director must file with the secretary of the board of directors a petition signed by at least 50 [100] registered voters of the district asking that his name be placed on the ballot. The determination of whether a person is a registered voter of the district shall be based on the most recent official lists of registered voters.

SECTION 2. Sections 8.01(b) and (c), Chapter 1055, Acts of the 68th Legislature, Regular Session, 1983, are amended to read as follows:

(b) The tax rate for all purposes may not exceed five cents on each \$100 valuation of all taxable property in the district, *unless the rate is increased in accordance with Section 8.01A of this Act.*

(c) The taxes may [only] be used to pay:

(1) the *general obligation bonds issued and the indebtedness assumed by the district; and*

(2) the *maintenance and operating expenses of the district [from the Teague Hospital Authority].*

SECTION 3. Chapter 1055, Acts of the 68th Legislature, Regular Session, 1983, is amended by adding Section 8.01A to read as follows:

Sec. 8.01A. ELECTION TO INCREASE TAX RATE. (a) The board may order an election on the question of increasing the district's maximum tax rate to 12 cents on each \$100 of valuation on all taxable property in the district. The board shall order